

Message Text

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PAGE 01 DAMASC 05381 231211Z
ACTION AID-31

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FM AMEMBASSY DAMASCUS
TO SECSTATE WASHDC 4535

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SECSTATE PASS AID

E.O. 11652: N/A
TAGS: EFIN, EAID, ECON, BEXP, SY
SUBJ: COMMERCIAL BANKING PRACTICES IN SYRIA AND EASING OF
FOREIGN EXCHANGE CRISIS

1. EMBASSY ECONOFF AND AIDOFF CALLED ON DIRECTOR COMMERCIAL
BANK OF SYRIA (CBS) DIB ABU ASALI TO DISCUSS HIGH COST OF
CONFIRMATION OF LETTERS OF CREDIT AND BID/PERFORMANCE BONDS.
ABU ASALI ADVISED THAT WITHIN THE PRESENT
CHARTER FEES CANNOT BE WAIVED FOR ANY ORGANIZATION, EVEN
AID. HOWEVER, A COMMITTEE IS NOW MEETING TO DISCUSS NEW
PROPOSALS TO LIBERALIZE CBS COMMITTEE
TRANSACTIONS WITH THE PRIVATE SECTOR. ABU ASALI
WILL RAISE WITH THIS COMMITTEE THE QUESTION OF POSSIBLY
WAIVING PERFORMANCE BONDS FOR AID CONTRACTS,
BUT DID NOT GIVE MUCH HOPE THAT FEES ON CONFIRMING LETTERS
OF CREDIT WOULD BE LOWERED.

2. THE LIBERALIZATION MEASURES IN EFFECT AILL MAKE PRESENT
GRAY MARKET TRANSACTIONS LEGAL. FOR EXAMPLE THE LAW PRESENTLY
AUTHORIZES IMPORTERS TO OBTAIN IMPORT PERMITS
AGAINST EVIDENCE OF 365 DAY SUPPLIERS' CREDIT. IN
REALITY THE MERCHANT PAYS FOR THE GOODS WITH CURRENCY HELD
ABROAD AND NEVER COLLECTS THE 365 DAY SIGHT DRAFT
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ISSUED BY CBS. IN THE FTURE CBS PROPOSES THAT
MERCHANTS SIMPLY BE PERMITTED TO IMPORT FREELY ALL
GOODS PAID FOR ABROAD SO LONG AS THERE NO REQUESTS FOR
CBS FX. (DEP GOV CONTRAL BANK AKKAD TOLD ECONOFF
HE HAS PROPOSED COMPLETE ELIMINATION OF EXCHANGE CONTROLS
AS SYRIAN POUND HAS BEEN HOLDING UP VERY WELL ON BLACK
MARKET). NEW PROPOSALS ALSO INCLUDE THE REPEAL OF THE

PROHIBITION AGAINST THE USE OF AGENTS IN GOVERNMENT
CONTRACTS. (MINFIN AYOUBI'S PROPOSAL THAT AGENTS BE
REQUIRED REPEAT REQUIRED IS BASICALLY TAX COLLECTION
MECHANISM.)

3. EMBASSY ECONOFF BROUGHT UP MATTER OF OUTSTANDING
OBLIGATIONS OF CENTRAL BANK TO US FIRMS. ABU ASALI
REPLIED THAT FOREIGN EXCHANGE CRISIS IS ON THE WAY TO
BEING SETTLED AND ALL OUTSTANDING CONTRACTS WILL HAVE
FOREIGN EXCHANGE WITHIN TWO MONTHS. TO
ILLUSTRATE, ABUT ASALI SAID CBS WAS OFFERED \$400 MILLION
SEVEN YEAR FOREIGN EXCHANGE CREDIT BY A SYNDICATE OF US BANKS
AT RATE OF LIBOR PLUS 1 1/4. CBS BELIEVED THESE EXCELLENT
TERMS (EGYPT GETTING LIBOR PLUS 2 1/4 WHILE SUDAN
CAN GET NO MORE THAN 2 1/2) BUT THE
SYRIAN GOVERNMENT REFUSED OFFER BECAUSE THEY ARE GETTING MONEY
FROM SAUDIS AND OTHER ARAB DONORS.

4. MISCELLANEOUS INFO: PRIVATE SECTOR BUSINESSES
SEEKING LETTERS OF CREDIT MUST PUT UP MARGIN VARYING
FROM 15 PERCENT TO 25 PERCENT MAXIMUM TO OBTAIN LETTER OF
CREDIT. ALL PUBLIC SECTOR ORGANIZATIONS MUST PUT UP 15 PERCENT
MARGIN ON LETTER OF CREDIT ALTHOUGH ABUT ASALI ADMITTED THAT
CERTAIN PREFERRED STATE ORGANIZATIONS NEED
PUT UP NO MARGIN AT ALL. RATES ON COMMERCIAL BANK LOANS HAVE
NOW BEEN STANDARDIZED AT 9 PERCENT FOR
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ON YEAR. IN ATTEMPT TO TIGHTEN PROCEDURES ABU
ASALI REQUESTS AID ADVISE CBS IN ANY CASE WHERE
DELAY BETWEEN TELEX ADVISE OF L/C AND MAILING OF INSTRUMENT
EXCEEDS TEN DAYS.
MURPHY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, MEETINGS, FOREIGN EXCHANGE CRISIS, LETTERS OF CREDIT, COMMERCIAL BANKS
Control Number: n/a
Copy: SINGLE
Sent Date: 23-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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